

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company
for Adoption of Policy and Process for
Acquisition of Incremental Core Gas Storage in
Compliance with Ordering Paragraph 5 of
Decision 04-09-022, and for Adoption of a Core
Reliability Planning Standard.

Application 05-03-001
(Filed March 2, 2005)

**SCOPING MEMO AND RULING OF THE ASSIGNED COMMISSIONER
AND ADMINISTRATIVE LAW JUDGE**

Summary

This scoping memo and ruling addresses the scope of issues to be addressed in this proceeding and the procedural schedule for processing this application. The evidentiary hearings for this proceeding will be held on October 17-20, 2005.

Background

Pacific Gas and Electric Company (PG&E) filed the above-captioned application on March 2, 2005 in response to Ordering Paragraph 5 of Decision (D.) 04-09-022. PG&E's application proposes to add incremental firm core storage capacity sufficient to meet a 1-day-in-10-year peak day standard. PG&E estimates that the adoption of such a standard would add approximately 100 thousand decatherms per day of storage withdrawal capacity, and approximately 2-3 million decatherms (MMDth) of inventory capacity, but not

less than 1 MMDth. Independent storage providers would be allowed to compete to provide the incremental core storage services.

Protests to the application were filed by The Utility Reform Network (TURN) and Wild Goose Storage Inc., and responses to the application were filed by Lodi Gas Storage, L.L.C. and the Office of Ratepayer Advocates. PG&E filed a reply to the protests and responses on April 14, 2005.

In a May 6, 2005 ruling, a prehearing conference was noticed to discuss the preliminary list of issues contained in that ruling, and to discuss the procedural schedule.¹ Prehearing conference statements were filed, and the prehearing conference was held on June 2, 2005.

Scope of Issues

Interested parties were provided an opportunity to comment in their prehearing conference statements and at the prehearing conference on whether the May 6, 2005 preliminary list of issues should be included in the scoping memo, and to identify other issues that should be included in the scoping memo. Based on the preliminary list of issues and the parties' comments, the following scope of issues will be addressed in this proceeding:

- Should a 1-day-in-10-year peak day standard be adopted as the core gas reliability planning standard for PG&E?
- What considerations should the Commission weigh in deciding whether or not to adopt the proposed core gas reliability planning standard?

¹ The preliminary list of issues was developed from the information contained in the application, the protests and responses to the application, and from the reply to the protests and responses.

- If the 1-day-in-10-year peak day standard is adopted, under what conditions will independent storage providers be allowed to compete to provide this incremental firm core storage capacity?
- How can system optimization be achieved using storage and transmission assets?
- What other storage services will independent storage providers be allowed to compete for and under what conditions?
- What is the likely rate impact on core customers if the proposed core gas reliability standard is adopted?
- What processes should PG&E follow in determining the kind of storage proposals that should be solicited and which proposals will be acquired?
- Should PG&E's credit policies apply to independent storage providers submitting storage proposals?
- Should storage providers submitting storage proposals be required to meet certain reliability standards or be required to maintain sufficient facilities in order to deliver gas to PG&E's core customers under all conditions without relying on PG&E?
- Should Core Transport Agents be exempt from the 1-day-in-10-year peak day standard until the Core Aggregation program load reaches 10 percent of the core January capacity factor?
- Should PG&E be allowed to fully recover its incremental storage capacity costs in its monthly core procurement rates?
- What kind of changes should be made to PG&E's Core Procurement Incentive Mechanism to incorporate the incremental capacity, and in what proceeding should such changes be considered?
- Should the preapproval process in D.04-09-022 be modified to apply to storage contracts of less than three years and contracts that are acquired to meet the 1-day-in-10-year peak day standard, and is this the appropriate proceeding in which to consider such a modification?

Schedule

The comments of the parties regarding the schedule have been considered. At the prehearing conference, PG&E suggested that the Commission should first address TURN's threshold issue of whether incremental storage capacity is needed at all, before the other issues in this scoping memo are considered. We believe that it would be more efficient to handle all of the issues altogether, rather than to address TURN's issue first. The schedule below reflects that.

The parties indicated in their prehearing conference statements that evidentiary hearings on some of the issues are likely, while others may be resolved through settlement discussions with the parties. The schedule below should give the parties sufficient time to engage in settlement discussions, while proceeding with a schedule that will result in a Commission decision before June 2006.² Evidentiary hearings will begin on October 17, 2005 at 10:00 a.m. in the Commission Courtroom, State Office Building, 505 Van Ness Avenue, San Francisco, CA and continue through October 20, 2005. Prepared testimony is to be served in accordance with the schedule below.

Any party requesting final oral argument before the Commission pursuant to Public Utilities Code Section 1701.3(d) and Rule 8 of the Commission's Rules of Practice and Procedure (Rule) shall make such a request on or before the first day of evidentiary hearing.

The following schedule will be followed to resolve the issues in this proceeding:

² If the Commission approves the incremental core storage proposals before June 2006, this should provide sufficient time for PG&E to issue a request for offers so that the additional capacity will be available for the winter of 2007-2008.

Event	Date
Supplemental testimony by PG&E to be served	August 12, 2005
Testimony by all other parties to be served	September 12, 2005
Rebuttal testimony by all parties to be served	October 11, 2005
Evidentiary hearings	October 17-20, 2005 in San Francisco. Start time at 10:00 a.m. on October 17, 2005
Opening briefs due	November 21, 2005 (tentative)
Reply briefs due and projected submission date	December 16, 2005 (tentative)
Proposed decision	March 16, 2006 (tentative)
Comments on proposed decision	20 days from mailing of proposed decision
Reply comments on proposed decision	25 days from mailing of proposed decision
Commission decision	April 27, 2006 (tentative)

The application was filed on March 2, 2005. Public Utilities Code Section 1701.5 provides that in a ratesetting proceeding, the issues raised in the scoping memo are to be resolved within 18 months of the date the scoping memo is issued. It is expected that this proceeding will be completed within the 18-month period as shown in the schedule above.

Any party intending to seek intervenor compensation in this proceeding shall file and serve a notice of intent to claim compensation within 30 days of the June 2, 2005 prehearing conference.

Discovery

If discovery disputes arise between the parties, which cannot be resolved by meeting and conferring, the parties should raise these disputes in accordance with Resolution ALJ-164.

Service List

Attachment A of this ruling is the new service list that shall be used in this proceeding. This service list may be updated from time to time. The latest version of the service list can be downloaded from the Commission's web site at www.cpuc.ca.gov.

As mentioned at the prehearing conference, and in the May 6, 2005 ruling, the new electronic service rules shall apply to this proceeding.³ Anyone serving documents in this proceeding shall follow Rules 2.3 and 2.3.1.⁴ Any documents served on the Assigned Administrative Law Judge (ALJ) and the Assigned Commissioner's office shall be by both e-mail and by delivery or mailing of a copy of the document.

Categorization of Proceeding

This application was preliminarily categorized as ratesetting in Resolution ALJ 176-3149 on March 17, 2005. Today's ruling confirms that categorization. Anyone who disagrees with this categorization must file an appeal of the categorization no later than 10 days after the date of this ruling. (See Rule 6.4.)

Since this ruling determines that this is a ratesetting proceeding and evidentiary hearings will be held, *ex parte* communications are governed by Rules 7 and 7.1.

The principal hearing officer for this proceeding shall be ALJ John S. Wong.

³ Those on the service list who do not have an e-mail address shall be served by mail or another method of delivery.

⁴ See the June 2, 2005 Reporter's Transcript of the prehearing conference for the ALJ's discussion of the electronic service rules.

Therefore, **IT IS RULED** that:

1. The scope of issues for this proceeding, and the schedule for resolving these issues, is set forth in the body of this scoping memo and ruling.
 - a. Evidentiary hearings shall be held on October 17, 2005 at 10:00 a.m. at the State Office Building, 505 Van Ness Avenue, San Francisco, and shall continue through October 20, 2005.
2. This proceeding is categorized as ratesetting.
3. Any party intending to seek intervenor compensation in this proceeding shall file and serve a notice of intent to claim compensation within 30 days of the June 2, 2005 prehearing conference.
4. Discovery disputes shall use the procedures set forth in Resolution ALJ-164.
5. Attachment A of this scoping memo and ruling shall serve as the service list for this proceeding, which may be updated from time to time.
 - a. The latest version of the service list can be accessed through the Commission's web site.
 - b. This ruling shall be served on the names listed in Attachment A of this ruling.

Dated June 7, 2005, at San Francisco, California.

/s/ DIAN M. GRUENEICH
Dian M. Grueneich
Assigned Commissioner

/s/ JOHN S. WONG
John S. Wong
Administrative Law Judge

Attachment A

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(End of Attachment A)

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of the original attached Scoping Memo and Ruling of the Assigned Commissioner and Administrative Law Judge on all parties of record in this proceeding or their attorneys of record.

Dated June 7, 2005, at San Francisco, California.

/s/ ELIZABETH LEWIS

Elizabeth Lewis

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074, TTY 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.